

May 7, 2004

Congress of the United States
Washington, DC 20515

Secretary Colin Powell
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

Dear Secretary Powell:

It has come to our attention that Paraguay has recently signed a memorandum of understanding on intellectual properties (IP) with the United States and has requested U.S. assistance in their efforts to combat piracy. We are writing to endorse their funding request.

As members of the Congressional Caucus on Intellectual Properties Promotion and Piracy Prevention, we are aware of Paraguay's commitment to cracking down on IP theft. We are encouraged by the gains made in the first six-months of the Duarte Frutos Administration. Thus far, Paraguay has raided five factories where pirated cigarettes and video games were being produced, including a shipment of Sega and Nintendo games valued at \$10 million. They have destroyed a print shop that was making counterfeit labels, and they have confiscated pirated CDs. While these efforts reflect the commitment of the Paraguayan government to address this serious problem, we must recognize that the enforcement of IP laws costs the Paraguayan treasury millions in lost tax revenue.

In the past, Paraguay had been a leading offender in IP theft, not so much in terms of production but in terms of sales and distribution for pirated goods destined for other locations. According to industry estimates, U.S. businesses lost approximately \$300 million last year to piracy and counterfeiting activities in Paraguay. However, the new government of President Duarte Frutos has been clear that it understands what infringement of IP rights has cost Paraguay in local and foreign investments. To show his commitment to enforcing IP laws, his government has developed a comprehensive plan that incorporates all levels of government and society. The plan calls for, among other things, an awareness campaign in the nation's schools to engage the public in the fight, the enactment of legislative reforms and the establishment of a research and statistics center that would publish statistics, court decisions and legal writings that could be shared with industries and other governments. The plan also provides for training of prosecutors and those investigation IP crimes.

Among the initial steps already taken by the government has been the establishment of an Intellectual Properties Bureau (Direccion General de Propiedad Intelectual) under the Ministry of Industry and Commerce. They have also created by Executive Order a Specialized Technical Unit (STU) to combat piracy, counterfeiting and tax evasion. The STU, which is a highly technical unit, is comprised of tax experts from the Finance Ministry, lawyers from the Office of the Attorney General, prosecutors from the Office of Public Prosecutor, trademark specialists from the Ministry of Industry and Commerce, and intelligence experts from the Armed Forces.

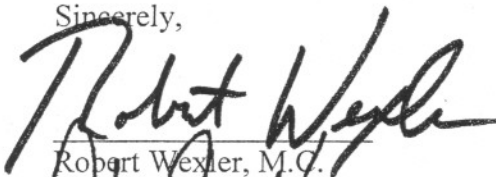
In prosecuting IP theft, the Paraguayan government must confront organized crime and very powerful interests, which are strongly connected to piracy and counterfeiting in Paraguay as in many other countries. In fact, the House Committee on International Relations held a hearing

last July, whereby INTERPOL testified that intellectual property related activity was providing funding for the terrorist organization, Hizballah. The cost of prosecuting intellectual property crimes of this magnitude is enormous for a developing country. Their estimated budget for implementing this ambitious plan is over \$738,000. As you know, they plan to engage the private sector and are requesting international assistance.

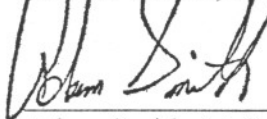
It is our understanding that the State Department is considering providing funding for this effort, and we would like to express our support for this action. We believe that the United States must seize this opportunity to assist the Paraguayan government and that the U.S. funds will be a worthwhile investment in a country that is on a path to be a model for the region in protecting IP rights. Additionally, we recommend that the State Department consider providing funding for INTERPOL's private/public IP crime program of activities that has been established since the International Relations Committee hearing. It is in a unique position to develop strategies and the exchange of information and intelligence on IP crime.

We appreciate your thoughtful consideration of our request and look forward to working with you to strengthen the international commitment to, and enforcement of, intellectual property rights.

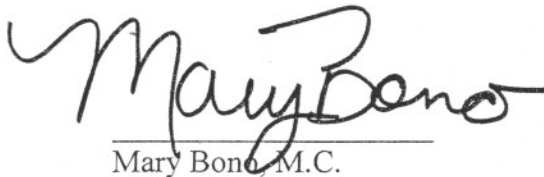
Sincerely,


Robert Wexler, M.C.

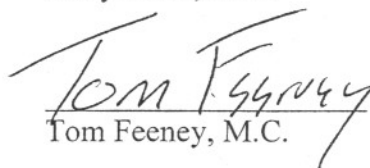
Robert Wexler, M.C.


Adam Smith, M.C.

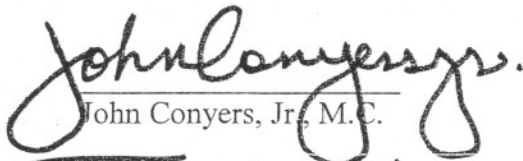
Adam Smith, M.C.


Mary Bono, M.C.

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Tom Feeney, M.C.

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John Conyers, Jr., M.C.

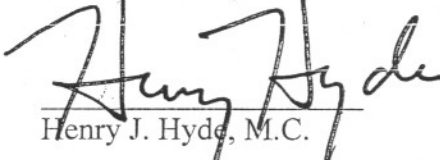
John Conyers, Jr., M.C.


Howard Coble, M.C.

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Tom Lantos, M.C.

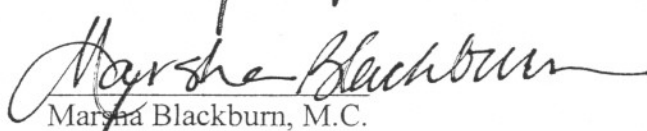
Tom Lantos, M.C.


Henry J. Hyde, M.C.

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Howard Berman, M.C.

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Marsha Blackburn, M.C.

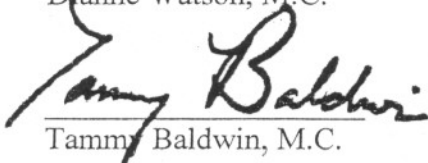
Marsha Blackburn, M.C.


Dianne Watson, M.C.

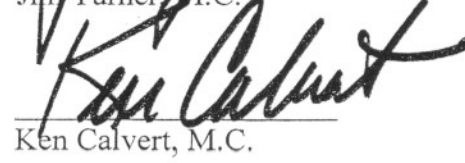
Dianne Watson, M.C.


Jim Turner, M.C.

Jim Turner, M.C.


Tammy Baldwin, M.C.

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Ken Calvert, M.C.

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